

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 DODE-00 PA-04 USIA-15 PRS-01 L-03 H-03

FPC-01 SCI-06 SCEM-02 DRC-01 /181 W

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R 102033Z DEC 73

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9159

INFO AMCONSUL MONTERREY UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL NUEVO LAREDO UNN

AMCONSUL TIJUANA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MATAMOROS UNN

AMCONSUL MERIDA UNN

AMCONSUL MAZATLAN UNN

AMCONSUL CIUDAD JUAREZ UNN

UNCLAS SECTION 1 OF 3 MEXICO 9238

E.O. 11652: N/A

TAGS: ENRG, EPET, MX

SUBJ: GOM MOVES TO MEET ENERGY PROBLEMS

BEGIN SUMMARY: IN A DRAMATIC DEMONSTRATION OF GOM
CONCERN OVER ENERGY PROBLEMS, MEETING OF TRIPARTITE
COMMISSION OF GOVERNMENT, LABOR, AND MANAGEMENT TO
WHICH 2,000 LEADING MEXICANS WERE INVITED WAS HELD
EVENING DEC. 7 IN MEXICO CITY SPORTS CENTER. PRESIDENT
ECHEVERRIA, KEY CABINET MEMBERS, LABOR AND BUSINESS
LEADERS ADDRESSED PROBLEM. MOST DRAMATIC ANNOUNCEMENT
WAS BY HEAD PEMEX AND CONCERNED SUBSTANTIAL INCREASE
IN GASOLINE AND PETROLEUM PRODUCTS PRICES. LIQUID GAS
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PRICES MORE THAN DOUBLED. SECRETARY OF INDUSTRY AND COMMERCE
CALLED ON INDUSTRY NOT TO PASS ON INCREASED PRODUCTION
COSTS TO CONSUMERS, BUT REPORTS ARE THAT INDUSTRY
LEADERS FEEL PRICE RISES INEVITABLE. TREASURY

SECRETARY ENTOLLED NEW MOVES SAYING THAT PRESENT GENERATION SHOULD BEGIN TO PAY FOR ITS OWN ENERGY REQUIREMENTS, WHILE SECRETARY OF NATIONAL PATRIMONY CALLED FOR ENERGY POLICY AIMED AT EARLIEST POSSIBLE SELF-SUFFICIENCY AND GREATER USE ALTERNATE ENERGY SOURCES. LABOR LEADERS CALLED FOR FAR-REACHING FEDERAL ENERGY LAW WHICH WOULD STIFFEN GOVERNMENT CONTROL OVER ALL ENERGY MATTERS. BUSINESS SPOKESMEN, EXCEPT ON VOLATILE QUESTION OF PASSING ON TO CONSUMERS INCREASED PRODUCTION COSTS RESULTING FROM FUEL PRICE RISES, SEEMED GENERALLY TO SUPPORT POSITION ADMINISTRATION SPEAKERS, DESPITE THE FACT THAT THE NEW INCREASES CAN HARDLY BE CONSIDERED GOOD NEWS TO MEXICAN INDUSTRIALISTS, ALREADY FACED WITH INCREASED LABOR AND ELECTRICITY COSTS, INFLATION, AND ACREDIT SQUEEZE. END SUMMARY.

1. IN MEXICO CITY DURING THE EVENING OF DECEMBER 7, PRESIDENT LUIS ECHEVERRIA HEADED A LIST OF SOME FOURTEEN SPEAKERS FROM GOVERNMENT, LABOR, AND BUSINESS AT A NATIONAL TRIPARTITE COMMISSION MEETING HELD AT UNIVERSITY SPORTS CENTER TO DISCUSS THE WORLD ENERGY CRISIS AND STEPS WHICH MEXICO COULD TAKE TO SOLVE RESULTING DOMESTIC PROBLEMS. THE PRESIDENT CALLED ON ALL MEXICANS TO EXERCISE VOLUNTARY RESTRAINT IN THE USE OF GASOLINE, OIL, AND ELECTICITY. HE SUGGESTED THAT GAS RATIONING COULD BE AVOIDED BY CONSCIENTIOUS EFFORTS ON THE PART OF THE MEXICAN PUBLIC TO CONSERVE ENERGY BY SUCH ACTIONS AS DRIVING MORE SLOWLY, AND DIMMING OUTDOOR ADVERTISING LIGHTS ON BILLBOARDS.

2.BOMBSHELL OF THE EVENING, HOWEVER, WAS ANNOUNCEMENT BY DIRECTOR GENERAL OF PETROLEOS MEXICANOS (PEMEX, STATE OIL MONOPOLY) ING. ANTONIO DOVALI JAIME, THAT FAMILIAR GRADES OF GASOLINE WOULD DISAPPER FORTHWITH TO BE REPLACED BY TWO NEW AND MORE EXPENSIVE GRADES, THE FIRST INCREASE IN GASOLINE PRICES IN MEXICO UNCLASSIFIED

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FOR FIFTEEN YEARS. GONE FROM PEMEX STATIONS ON SATURDAY MORNING DECEMBER 8 WERE THE 80-OCTANE SUPERMEXOLINA (WHICH SOLD FOR 80 CENTAVOS PER LITER, OR ABOUT 25.6 CENTS A GALLON); 90-OCTANE GASOLMEX (ONE PESO PER LITER, OR 32 CENTS A GALLON); AND 100-OCTANE PEMEX 100 (1.2) PESOS PER LITER, OR 38.4 CENTS A GALLON). THESE HAVE BEEN REPLACED BY 81-OCTANE PEMEX NOVA (1.4 PESOS PER LITER, OR 44.8 CENTS A GALLON), AND 94-OCTANE PEMEX EXTRA (2 PESOS PER LITER, OR 64 CENTS A GALLON). ING.DOVALI ASSURED MEXICANS THAT ONE OF THESE TWO NEW GRADES WOULD MEET THEIR DRIVING REQUIREMENTS. DIESEL FUEL SOLD AT GASOLINE STATIONS WENT UP FROM 35 CENTAVOS TO 50 CENTAVOS A LITER, AND LUBRICATING OILS WERE ALSO INCREASED SUBSTANTIALY IN PRICE. MORE BAD NEWS FOR CONSUMERS WAS

REPORTED IN THE SUNDAY PRESS -- AN ANNOUNCEMENT FROM THE SECRETARIAT OF INDUSTRY AND COMMERCE (SIC) THAT THE PRICE OF BOTTLED LIQUID GAS, DELIVERED TO DOMICILES, WOULD MORE THAN DOUBLE, FROM 95 CENTAVOS TO 2 PESOS PER KILOGRAM. LIQUID GAS DELIVERED IN BULK TO STATIONARY TANKS RISES FROM 45 CENTAVOS TO 1.50 PESOS PER LITER. THESE NEW GAS PRICES WILL TAKE EFFECT IN THE FEDERAL DISTRICT OF MEXICO AND IN AT LEAST 17 STATES, BUT APPARENTLY WILL NOT BE COUNTRY-WIDE. FURTHER INFORMATION ON LIQUID GAS PRICES IS EXPECTED EARLIER THIS WEEK. IN HIS EXPLANATION OF THE INCREASES IN GASOLINE PRICES, DOVALI POINTED OUT THAT THE ALTERNATIVE WAS TO CUT BACK PEMEX OPERATIONS, WHICH WOULD SLOW THE ECONOMIC GROWTH OF THE COUNTRY. HE CHARACTERIZED THIS ALTERNATIVE AS "IMPOSSIBLE."

3. SIC SECRETARY LIC. CARLOS TORRES MANZO ALSO SPOKE AT THE DEC. 7 MEETING, WHICH WAS ATTENDED BY MORE THAN 2,000 PERSONS. TORRES MANZO REFERRED TO THE NEED FOR THE CONTROL OF SALES OF GASOLINE TO US. DRIVERS IN MEXICAN BORDER CITIES, TO THE DESIRABILITY OF ESTABLISHING EFFICIENT RAPID MASS TRANSPOR
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R 102033Z DEC 73
FM AMEMBASSY MEXICO
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REASSURE THE MEXICAN PEOPLE THAT THE WORLD ENERGY

CRISIS WOULD NOT AFFECT THEM, AND, AT THE NEXT, CALL FOR DRAMATIC INCREASES IN PRICES OF GASOLINE WHICH WERE ALLEGEDLY MADE NECESSARY BY THAT SAME WORLD ENERGY CRISIS. HE CONCLUDED BY SUGGESTING THAT THIS WAS JUST ONE MORE EXAMPLE OF THE ADMINISTRATIVE INEPTITUDE OF THE PUBLIC SECTOR AS A WHOLE. IN CONTRAST TO THE DENUNCIATION OF THE PRICE RISES BY THE PAN LEADER, THE MEXICAN PRESS REPORTED THAT THE PUBLIC IN GENERAL HAD ACCEPTED THE NEW SITUATION CALMLY AND WITH A MINIMUM OF FUSS.

5. ANOTHER SPEAKER AT THE NATIONAL TRIPARTITE COMMISSION
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MEETING WAS SECRETARY OF NATIONAL PATRIMONY ING. HORACIO FLORES DE LA PENA. THE SECRETARY CALLED FOR A MODERN AND VISIONARY POLICY FOR FUELS AND ENERGY. "WITHOUT THIS POLICY, THE REVOLUTION CANNOT CONTINUE TO CONSOLIDATE ITSELF, AND OUR ECONOMY CANNOT BE TRULY FREE FROM OUTSIDE INFLUENCES." HE REMARKED, ADDING THAT THE SEARCH MUST CONTINUE FOR ALL POSSIBLE NATIONAL SOURCES OF ENERGY TO SUPPLY MEXICO'S GROWING NEEDS. FOR ITS PART, PEMEX(OF WHICH FLORES DE LA PENA SERVES AS CHAIRMAN OF THE BOARD) MUST USE THE NEW REVENUES OBTAINED BY THE PRICE RISES FOR ITS PRODUCTS TO REDOUBLE EXPLORATION AND EXPLOITATION EFFORTS TO ACHIEVE AND TO MAINTAIN SELF-SUFFICIENCY. MEXICO, FLORES DE LA PENA NOTES, IS ONLY ABOUT 90 PERCENT SELF-SUFFICIENT IN CRUDE PRODUCTION AT THIS TIME, REITERATING THAT MEXICO ALSO MUST SEEK TO DIVERSIFY ITS ENERGY SOURCES INTO SUCH FIELDS AS GEOTHERMAL POWER, NUCLEAR POWER, AND SOLAR ENERGY.

6. ON THE ELECTRICITY FRONT, THE DIRECTOR GENERAL OF THE FEDERAL ELECTRICITY COMMISSION (CFE), LIC. ARSENIO FARELL CUBILLAS, SAID THAT THE TIME HAS COME FOR THE PUBLIC TO PAY THE REAL PRICE FOR THE ENERGY WHICH IT RECEIVES AND UTILIZES. HE NOTED THAT UNTIL THE RECENT PRICE INCREASES IN ELECTRICITY, THIS SOURCE OF ENERGY WAS BEING SUBSIDIZED BY THE GOVERNMENT. THE SAME WAS TRUE UNTIL DECEMBER 7 FOR GASOLINE AND OTHER PETROLEUM PRODUCTS, HE ADDED. FERELL EXPRESSED THE HOPE THAT THE INCREASED PRICES PAID BY CONSUMERS WOULD MAKE THEM MORE AWARE OF THE ENERGY WHICH THEY WERE UTILIZING, AND CAUSE THEM TO TAKE MORE CARE IN ITS USE.

7. THE NATIONAL TRIPARTITE COMMISSION MEETING WAS OPENED BY SECRETARY OF LABOR PORFIRIO MUNOZ LEDO, WHO CONFINED HIMSELF LARGELY TO HORTATORY REMARKS CALLING FOR ACTIONS BASED NOT ON CLASS HATRED BUT ON PATRIOTIC SOLIDARITY AND COMMON PURPOSE. HE REFERRED TO THE TRIPARTITE SYSTEM OF CONSIDERING KEY POLICY QUESTIONS, AND PRAISED IT AS GIVING LABOR, MANAGEMENT, AND GOVERNMENT EQUAL OPPORTUNITIES FOR EXPRESSING THEIR VIEWS.

8. THE COMMISSION'S MEETING WAS PUT INTO BROAD POLICY
PERSPECTIVE BY SECRETARY OF FINANCE JOSE LOPEZ
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PORTILLO, WHO CHARACTERIZED MEXICO AS HAVING LIVED FAR
TOO LONG IN A SOMETHING-FOR-NOTHING ECONOMY WHICH
BLITHELY TRANSFERRED THE BURDEN OF ITS PRESENT EXCESSES
TO FUTURE GENERATIONS. IT IS HIGH TIME, THE SECRETARY
INSISTED, THAT THE PRESENT GENERATION BEGIN TO PAY THE
FULL COSTS OF THE FUELS AND ENERGY WHICH IT RECEIVES,
RATHER THAN SIMPLY INCREASING THE DEBT BURDEN OF FUTURE
GENERATIONS BY FURTHER DOMESTIC AND FOREIGN BORROWING
TO PAY FOR NEEDED ENERGY PRODUCTION.

9. REPRESENTING MEXICO'S PRIVATE SECTOR WERE AGUSTIN
LEGORRETA, HEAD OF THE BANCO NACIONAL DE MEXICO AND
PRESIDENT OF THE MEXICAN BANKERS' ASSOCIATION; CARLOS
YARZA OF THE INDUSTRIAL CHAMBERS CONFEDERATION; ERNESTO
BARROSO, OF THE NATIONAL MANUFACTURING CHAMBER; AND
MIGUEL BLAZQUEZ OF THE NATIONAL CONFEDERATION OF CHAMBERS
OF COMMERCE. LEGORRETA STRESSED THE NEED FOR NEW
TECHNOLOGICAL ADVANCES TO SAVE ENERGY AND TO INCREASE
EFFICIENCY, AND STRESSED THAT THE MEXICAN BANKING INDUSTRY
WAS READY TO OFFER FINANCING FOR SUCH NEW TECHNOLOGY, WHICH
LEADS TO INCREASED PRODUCTION. YARZA EXPRESSED HIS FULL
AGREEMENT WITH DOVALI'S ARGUMENT THAT PEMEX NEEDED THE
ADDITIONAL REVENUES WHICH THE PRICE INCREASES WOULD PROVIDE
IN ORDER TO ACHIEVE SELF-SUFFICIENCY IN CRUDE PRODUCTION.
BARROSO AGREED, BUT REMINDED HIS LISTENERS THAT IN
ADDITION TO THE ENERGY PROBLEM THERE WAS ALSO A
SERIOUS PROBLEM OF INFLATION IN MEXICO, AND THAT
THIS PROBLEM, TOO, HAD TO BE SOLVED IF MEXICO WAS
TO BE ECONOMICALLY HEALTHY. BARROSO WENT ON TO SUGGEST
THAT THE INFLATIONARY PROBLEM COULD BEST BE SOLVED BY
BETTER PLANNING OF PUBLIC SECTOR EXPENDITURES, AND
SHOULD CERTAINLY NOT BE ATTACKED BY ATTEMPTING TO
STRANGLE THE PRIVATE SECTOR BY IMPOSING UNECONOMICALLY
LOW PRICE CEILINGS. BLAZQUEZ EXPRESSED HIS CONFIDENCE
THAT THE PRIVATE SECTOR IN MEXICO WOULD DO EVERYTHING
IT COULD TO SUPPORT THE GOVERNMENT'S ENERGY PROGRAMS,
THOUGH AS NOTED ABOVE HE SUBSEQUENTLY INFORMED THE PRESS
THAT HE FELT THE MANUFACTURING SECTOR COULD NOT ABSORB THE
INCREASED PRODUCTION COSTS. THE CHIEF CONCERN OF THE LABOR
SECTOR REPRESENTATIVES AT THE COMMISSION MEETING SEEMED TO
BE THAT THE NEW POLICY DID NOT GO FAR ENOUGH, AND THAT A COMPRE-
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HENSIVE NATIONAL FUELS AND ENERGY LAW WAS NEEDED. UNDER THE
TERMS OF THIS PROPOSAL WHICH WERE NOT SPELLED OUT IN DETAIL,

THE FEDERAL GOVERNMENT WOULD EXERCISE EVEN STRICTER CONTROL
THAN AT PRESENT OF THE ALLOCATION OF ENERGY RESOURCES THROUGHOUT
THE NATION.

10. SPEAKING AT THE CONCLUSION OF THE NATIONAL TRIPARTITE
COMMISSION MEETING, PRESIDENT ECHEVERRIA HAD HIGH PRAISE
FOR THE QUALITY OF THE CONTRIBUTIONS MADE BY THE
SPEAKERS, AND NOTED THE STARK CONTRAST BETWEEN THE
SPIRIT OF FRANK DIALOGUE WHICH HAD PREVAILED AT THE
MEETING AND THE CLANDESTINE KIDNAPPINGS AND TERRORISM
BY WHICH A FEW EXTREMISTS ACTING UNDER FOREIGN INFLUENCES
MISGUIDEDLY ATTEMPT TO ACHIEVE THEIR SUBVERSIVE
GOALS. THE PRESIDENT CONCLUDED THAT DURING THE MEETING
SEVERAL IDEAS HAD EMERGED WHICH CAN FORM THE BASES FOR A
NEW ENERGY POLICY, ONE WHICH WILL NOT SLOW MEXICO'S
ECONOMIC DEVELOPMENT, BUT WHICH WILL PERMIT MEXICANS
TO WORK MORE CLOSELY TOGETHER TO FACE THE PRO
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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

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COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

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HOWEVER, ONLY THE BROADEST OUTLINES OF GOM ENERGY
POLICY EMERGED FROM THE SESSION, AND AT LEAST ONE
KEY QUESTION -- TO WHAT EXTENT THE NEW INCREASES IN
PRODUCTION COSTS TO MANUFACTURERS CAUSED BY THE FUEL
PRICE RISES WOULD BE PASSED ON TO CONSUMERS --WAS

LEFT, DESPITE THE HORTATORY COMMENTS OF TORRES MANZO,
VERY MUCH IN THE AIR. THE NEW INCREASES IN FUEL PRICES
CAN HARDLY BE CONSIDERED GOOD NEWS TO MEXICAN
INDUSTRIALISTS, ALREADY FACED WITH DRAMATIC INCREASES IN
LABOR AND ELECTRICITY COSTS, INFLATIONARY PRESSURES AFFECTING
THEIR PURCHASES OF CAPITAL GOODS AND RAW MATERIALS, AND A
CREDIT SQUEEZE. EMBASSY PREPARING ANALYTICAL ASSESSMENT OF MEXICAN
ENERGY SITUATION AND ITS IMPLICATIONS FOR FORWARDING THIS WEEK.
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Message Attributes

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TIJUANA UNN
HERMOSILLO UNN
MATAMOROS UNN
MERIDA UNN

MAZATLAN UNN

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